

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 EB-07 AID-05 L-03 IGA-02 AGR-05

CIAE-00 INR-07 NSAE-00 OMB-01 TRSE-00 /041 W

----- 032303

P R 121410Z APR 76

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 3068

INFO AMEMBASSY GUATEMALA

C O N F I D E N T I A L TEGUCIGALPA 1875

DEPT FOR ASSISTANT SECRETARY ROGERS FROM AMBASSADOR
GUATEMALA FOR AG/ATT

E.O. 11652: GDS

TAGS: EAGR, HO

SUBJECT: PL-480, TITLE I - FY 77

REF: A) STATE 075032; B) STATE 081727; C) GUATEMALA 2622

1. WE WELCOME YOUR CONSTRUCTIVE APPROACH TO FY 1977 AND LOOK FORWARD TO EARLY CONFIRMATION OF ALLOCATION AS PROPOSED PARA 6 BELOW. FULLY AGREE WITH YOUR SENTIMENTS ON "RECLASSIFICATION" ISSUE. COMMENTS ON AND PROPOSAL FOR FY 76 PROGRAM FOLLOW.

2. REGARDING INACTION TO DATE ON APPROVED 25,000 METRIC TONS OF CORN WE WISH TO NOTE THE FOLLOWING: THE GOH EMERGENCY REQUEST FOR 50,000 METRIC TONS WAS RECEIVED HERE AUGUST 4, AND TRANSLATED AND CABLED TO AID/W THE SAME DAY. A DETAILED EVALUATION AND A MISSION REQUEST FOR APPROVAL WAS CABLED THREE DAYS LATER. EIGHT WEEKS THEN PASSED WHILE THE MATTER WAS CONSIDERED IN WASHINGTON. THE CABLE ADVISING US OF IMMINENT AUTHORIZATION FOR 25,000 TONS WAS RECEIVED SEPTEMBER 29. BY THAT TIME, THE EMERGENCY BEING AN EMERGENCY, THE GOH HAD PURCHASED 30,000 TONS IN THE U.S. MARKET. NEGOTIATIONS OF THE AGREEMENT WERE SUBSEQUENTLY DISCONTINUED BECAUSE LATE BUT HEAVY RAINS BRIGHTENED PRODUCTION PROSPECTS AND GRAIN HANDLING PROBLEMS

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WITHIN THE BNF HAD SURFACED, LEADING TO A TEMPORARY

SUSPENSION OF NEW OPERATIONS WITH THE BANK. THE YEAR-END HARVEST, FOLLOWED BY LIMITED EXPORTS OF CORN DURING JANUARY 1976, HAVE CREATED A LOCAL ATMOSPHERE OF OPTIMISM ABOUT CURRENT CORN SUPPLIES. SINCE THE GOH LACKS A DEPENDABLE CROP REPORTING SYSTEM, THIS OPTIMISM CAN NOT BE NUMERICALLY CONFIRMED.

3. WE BELIEVE THERE REMAINS A VALID POSSIBILITY OF HONDURAS BEING CAUGHT SHORT OF CORN AGAIN THIS SUMMER. GOH GRANERIES ARE REPORTED TO HAVE ABOUT 35,000 METRIC TONS IN STORAGE AT PRESENT, EQUIVALENT TO APPROXIMATELY 45 DAYS CONSUMPTION. HOWEVER THE REPORTEDLY LOW QUALITY OF CORN IMPORTED FROM THE U.S. (OF WHICH 22,000 METRIC TONS IS SUBJECT TO FORMAL CLAIM) AND LOSSES IN STORAGE MAY REDUCE STOCKS FOR HUMAN CONSUMPTION TO 80 PERCENT OF THIS TOTAL. THE AMOUNT OF CORN IN PRIVATE HANDS IS UNKNOWN. THE MAJOR PLANTING SEASON BEGINS IN MAY, WITH THE HARVEST LARGELY COMPLETED BY OCTOBER. A SECOND PLANTING IS OFTEN POSSIBLE BUT THE CROP IS NORMALLY BEANS. VERY LITTLE CORN WILL BE HARVESTED BEFORE SEPTEMBER. SHOULD IN-COUNTRY STOCKS NOT BRIDGE THIS GAP AN EMERGENCY IMPORT OF CORN DURING THE INTERIM QUARTER AND EARLY FY'77 MAY BE REQUESTED.

4. IN PLACE OF THE FY'76 CORN ALLOTMENT WE URGE APPROVAL ON A PRIORITY BASIS OF A PROGRAM OF 25,000 M.T. OF WHEAT/WHEAT FLOUR. SINCE HONDURAS DOES NOT PRODUCE A SIGNIFICANT AMOUNT OF WHEAT AND DUE TO ITS CLOSE LOCATION TO U.S. MARKET, IMPORTS TAKE PLACE ON A REGULARLY SCHEDULED GENERALLY EXCEEDING 4,000 M.T. MONTHLY. THUS THE PROPOSED PROGRAM SHOULD INCLUDE FY 1976 AND THE TQ.

HONDURAS - WHEAT SUPPLY/DISTRIBUTION BY FISCAL YEARS IN 1000 M.T.

	BEGIN		IMPORTS		SEED		
	NING	PRODUC-	(ALL		FEED	CONSUMP-	ENDING
F.Y.	STOCKS	TION	FROM	EXPORTS	AND	TION	STOCKS
		U.S.)	WASTE				
74	N.A.	0.7	41.6	0	0.1	42.2	7.0
75	7.0	0.5	50.3	0	0.1	45.8	11.9

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76	11.9	0.5	50.0	2)1)0	0.1	50.3	12.0
77	12	0.5	53.6	2)0	0.1	54.0	12.0

1) INCLUDES 9898 M.T. IMPORTED UNDER PL-480 TITLE I
ALL OTHER IMPORTS COMMERCIAL.

2) PROPOSED PL-480 TITLE I PROGRAM OF 25,000 M.T. INCLUDED
(FY 76 AND TQ).

RECOMMEND UMR BE INCREASED TO 30,000 M.T. THIS REPRESENTS A SIZEABLE INCRSSSE OVER FY 1975 UMR OF 20,000 M.T. AND FOLLOWS PREVIOUS PROVEDURES OF PHASING IN A COMPLETE UMR WHERE ONE HAD BEEN ADJUSTED DUE TO VERY UNUSUAL CIRCUMSTANCES. THE SAME PROCEDURE WAS USED IN THE DOMINICAN REPUBLIC. NO REPEAT NO CHANGE SHOULD BE MADE IN CREDIT TERMS OR SELF HELP ITEMS.

5. BASIC JUSTIFICATION WOULD BE BALANCE OF PAYMENTS SUPPORT. HONDURAS HAS YET TO RECOVER FROM THE DAMAGE DONE TO IMPORTS, MAINLY BANANAS, BY HURRICANE FIFI; CONTINUES TO BE ONE OF THE COUNTRIES MOST SERIOUSLY AFFECTED (MSA) BY PETROLEUM PRICE INCREASES; AND HAS A FAO CLASSIFICATION AS A CHRONIC FOOD SHORTAGE COUNTRY. THE CURRENT ACCOUNT DEFICIT OF \$109 MILLION IN 1974 IS EXPECTED BY GOH TO INCREASE IN 1975 TO \$115 MILLION AND TO FURTHER INCREASE TO \$138 MILLION IN 1976. THE BALANCE OF PAYMENTS OVERALL CAN BE KEPT NEAR EQUILIBRIUM ONLY THROUGH EXTERNAL ASSISTANCE FLOWS, TO WHICH THIS WOULD BE A VALUABLE INCREMENT.

6. RE PARA 7 REFTTEL FY 77 (OCT 1, 76 - SEPT. 30-77) PROGRAMMING SHOULD INCLUDE 25,000 M.T. WHEAT AND 2,000 M.T. EDIBLE VEGETABLE OIL. UNLIKELY RICE WILL BE NEEDED. HOWEVER, AGATT FULLY AWARE SENSITIVITY THIS COMMODITY AND WILL KEEP WASHINGTON ADVISED OF A NEED SHOULD ONE DEVELOP. NEED FOR CORN IS DISCUSSED IN PARA 2 ABOVE.

7. RE CUBA TRADE, SEE TEGUCIGALPA 1848.
SANCHEZ

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